PRESS RELEASE
ASX ANNOUNCEMENT - FOR IMMEDIATE RELEASE

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COOPER BASIN CASHFLOW FUNDING GROWTH

Australian oil explorer and producer, Stuart Petroleum Limited (ASX code: STU), today announced that as a result of its ongoing strong cashflow, the Company is accelerating the development of its 85% owned Port Bonython Fuels Project in South Australia, and development studies for the Oliver oil field, 700 kilometres west of Darwin in the Timor Sea.

The Company also announced today that debt reduction targets for the opening half of the 2008-2009 financial year, have been achieved.

Summary

Oil production for the 2008 December quarter totalled 77,000 barrels, bringing production for the half year to a total of 184,000 barrels – all of it from Stuart Petroleum's onshore oil wells in SA's Cooper/Eromanga Basin. The quarterly output, reflecting disruptions due to rain and mechanical equipment failures, compares to 107,000 barrels in the immediate preceding September quarter and 190,000 barrels for the previous corresponding 2007 December quarter.

Cash income generated for the half year totalled A$38 million, including the previously advised sale of hedges. The average price realised on sales for the half-year was A$96.92 per barrel, a 7.3% decrease on the previous half-year to 30 June, 2008.

While oil prices declined over the latest quarterly period, Stuart's current hedge position will ensure the Company receives an average price of more than A$100 per barrel on 107,000 barrels of hedged production for the remainder of 2008-2009 – this robust cashflow enabling the Company to maintain its growth objectives.

Growth projects

A total of A$2 million from Cooper Basin cashflow has now been allocated to complete the necessary studies and approvals, leading to the commencement, (by the end of 2009), of construction of Stage 1 of the Port Bonython Fuels project. Located in SA's Upper Spencer Gulf, the deep water fuel distribution port is an 85:15 joint venture between Stuart and the Scott Group of Companies. The project, which proposes an initial throughput of around 500 million litres of diesel fuel per annum, has generated significant interest in the South Australian marketplace, particularly from mineral producers.

Stuart's 2009 exploration impetus will include ongoing development studies for the Company's 50% equity interest in the offshore Timor Sea permit, AC/P33, which contains the highly prospective Oliver oil field, with potential recoverable oil and condensate volumes of 19.2 million or a volume net to Stuart of 9.6 million barrels. These development studies which include reprocessing of 3D seismic data to provide a more detailed evaluation of the

Oliver structure size, aim to select the location of an appraisal well to be drilled late this year or early in 2010.

Outlook

Stuart's net debt position at 31 December, 2008, reduced, as forecast, to A$12 million.

The Company will incur an after tax loss (un-audited) of some A$26 million for the half-year, after expensing A$41.5 million of pre-tax exploration which includes the previously advised cost to drill the unsuccessful offshore Bazzard-1 well in Bass Strait, and impairment write-downs of Cooper Basin assets brought about by lower oil prices. Audited results for the half-year will be released on or about 25 February 2009.

Full year oil production for the 2008-2009 financial year is forecast to be 350,000 barrels, compared to 570,000 barrels in the previous corresponding year. The reduction is primarily due to natural field decline and disruptions caused by rain and mechanical equipment failures. The fields continue to perform strongly in accordance with forecast natural decline rates.

Further information is contained in the Quarterly Report released today.

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